

INSURANCE TRADES UNVEIL FEDERAL PANDEMIC SOLUTION

May 21, 2020

WASHINGTON, D.C. — The National Association of Mutual Insurance Companies (NAMIC), the American Property Casualty Insurance Association (APCIA), and the Independent Insurance Agents & Brokers of America, Inc. (Big “I”) today unveiled a new customer-focused proposal for a federal program tailored specifically to help businesses meet the financial challenges from future pandemics. The industry-backed Business Continuity Protection Program (BCPP) would provide revenue replacement assistance for payroll, employee benefits, and operating expenses following a presidential viral emergency declaration.

“Pandemics simply are not insurable risks; they are too widespread, too severe, and too unpredictable for the insurance industry to underwrite,” said Charles Chamness, NAMIC’s president and CEO. “As we’ve seen in the past few months, pandemics are a national problem, and we need a national solution. NAMIC, APCIA, and the Big ‘I’ had one goal in mind in developing the BCPP – crafting a solution that would provide meaningful support for employees, businesses, and the economy as a whole.”

The BCPP is a solution that can work for everyone—customers of all sizes and structures—to provide protection against widespread economic shutdowns due to a future viral outbreak. Much of the dialogue to date has involved a program modeled after the Terrorism Risk Insurance Program, created after the 9/11 terrorist attacks under the Terrorism Risk Insurance Act (TRIA). However, a TRIA-like program, with an industry financial role, does not square with the fundamental notion that pandemics are not insurable risks. The risks are too fundamentally different in nature and scope.

“We need a sustainable solution that provides simplicity, certainty, and immediate relief to impacted businesses,” said David Sampson, APCIA’s president and CEO. “The BCPP is designed to bolster the country’s economic resilience through timely and efficient financial protection and payroll support in the event of a future public health emergency. We look forward to continued dialogue with the business community to meet their needs in this vitally important public policy discussion.”

The BCPP would provide business revenue replacement assistance that would reimburse up to 80 percent of payroll, benefits, and expenses for three months. The association leaders believe the advantages of the BCPP approach are significant, providing simple, immediate relief for employers that are directed to close.

“The small business community is looking to our industry to provide leadership to ensure there is immediate assistance available during future pandemics,” said Bob Rusbult, Big “I” president & CEO. “The BCPP is a simple, efficient, and effective plan to provide the needed financial security for American businesses. This program gets immediate funding to businesses when they need it most.”

Businesses would purchase their desired level of revenue replacement assistance through state-regulated insurance entities that voluntarily participate with the BCPP. Under the BCPP, the Federal Emergency Management Agency, with limited administrative assistance from private contractors, would provide the critical mechanism of administering relief to businesses. And the BCPP would be able to purchase private reinsurance to protect federal taxpayers.

NAMIC and APCIA represent approximately 90 percent of the home, auto, and business property/casualty insurance underwriters in the United States. The Big “I” is the nation’s oldest and largest national association of independent insurance agents and brokers, representing more than 25,000 agency locations united under the Trusted Choice brand. The three trade associations look forward to working with members of Congress and the Trump administration to enact the BCPP to protect America’s businesses.

Business Continuity Protection Program (BCPP)

Executive Summary:

Pandemic risk protection has been largely unavailable in the private marketplace because it is inherently uninsurable. But insurers, together with agents and brokers, have been developing solutions that work for our customers and all parts of the industry to provide protection against widespread economic shutdowns due to a viral outbreak. NAMIC and APCIA represent approximately 90 percent of the home, auto, and business property/casualty insurance underwriters in the United States. The Big “I” is the nation’s oldest and largest national association of independent insurance agents and brokers, representing more than 25,000 agency locations united under the Trusted Choice brand. The three trade associations look forward to working with members of Congress and the Trump administration to enact the BCPP to protect America’s businesses.

Purpose: The BCPP is designed to bolster the country’s economic resilience by providing timely and efficient financial protection and payroll support to the private sector in the event of a future declared public health emergency.

How it Works:

- Businesses purchase revenue replacement assistance from the BCPP – up to 80% of payroll and other expenses.
- Applications are based on past years’ tax return data.
- Businesses certify that they will use any funds received for retaining employees and paying necessary operating expenses and that they will follow applicable federal pandemic guidance.
- Relief is automatically triggered following a federally declared public health emergency.

Application:

- Applications would be simple to complete, using a one-page electronic application that includes information directly from the business’ previous annual tax returns (e.g., IRS [Form 1120](#) or [Form 990](#)).
- Protection must be purchased at least 90 days before the Presidential declaration.
- Businesses could choose a desired level of protection for 3 months relief for up to 80% of: payroll (excluding highly compensated employees); employee benefits; and operating expenses.
- Multistate businesses would provide a specific allocation of protection at the time of application or renewal.
- Businesses would attest to compliance with federal pandemic guidelines and certify that any relief assistance would be used to retain employees and keep the business viable.
- Eligible businesses would include any firm incorporated in the U.S./Territories - including nonprofits.

Business Continuity Payments:

- Businesses purchase revenue replacement assistance through state-regulated insurance entities that voluntarily participate with the BCPP.
- Relief would be automatically triggered and immediately paid following a Presidential viral emergency declaration (no advance documentation or claims adjustment).
- Closure declarations would specify which types of businesses are partly or fully closed (referencing business categorization under the North American Industry Classification System ([NAICS](#))).

Program Administration:

- The BCPP would be run by the Federal Emergency Management Agency (FEMA), with limited administrative assistance from private contractors.
- Post-relief auditing for valid use of funds enforced through fines, required repayment, and criminal penalties.
- Every year, the BCPP shall consider purchasing reinsurance from payments received to protect federal taxpayers.
- The BCPP would work with risk mitigation experts to develop pandemic and viral risk mitigation guidelines and safety standards for businesses that would be provided to the purchaser at time of application and payment.